

Message Text

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ACTION EB-07

INFO OCT-01 ARA-06 ISO-00 COME-00 AGR-05 TRSE-00 L-03

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FM AMEMBASSY MANAGUA

TO SECSTATE WASHDC 7059

INFO AMEMBASSY SAN SALVADOR

C O N F I D E N T I A L MANAGUA 2024

SAN SALVADOR FOR AGATT

EO 11652: GDS

TAGS: EAGR, EPAP

SUBJECT: PRICE-SUPPLY AGREEMENT ON SUGAR

1. THE EMBASSY HAS LEARNED FROM A CONFIDENTIAL SOURCE AT A MAJOR NICARAGUAN SUGAR PRODUCER THAT NEGOTIATIONS ARE CURRENTLY UNDERWAY BETWEEN THE SUGAR PRODUCER AND THE COCA-COLA CO. OF ATLANTA, GEORGIA TO ESTABLISH A FIVE-YEAR PURCHASE-SUPPLY AGREEMENT WHICH GUARANTEES BOTH PRICES AND AMOUNTS SUPPLIED. SECRECY IS BEING MAINTAINED BY BOTH PARTIES UNTIL NEGOTIATIONS ARE FINALIZED.

2. THE TERMS OF THE TENTATIVE AGREEMENT ARE AS FOLLOWS:

A. THE NICARAGUAN PRODUCER AGREES TO SUPPLY 25,000 SHORT TONS OF SUGAR TO THE COCA-COLA CO. EACH CROP YEAR FOR THE NEXT FIVE YEARS. THE NICARAGUAN PRODUCER HAS THE OPTION TO INCREASE THIS AMOUNT BY 5,000 TONS EACH SUBSEQUENT YEAR UP TO A TOTAL OF 40,000 TONS.

B. COCA-COLA AGREES TO PAY NOT LESS THAN THE FOLLOWING FLOOR PRICES:

FROM OCT. 1, 1975 TO JAN. 1, 1976 15.0 CENTS PER POUND

FROM JAN. 1, 1976 TO SEPT. 30, 1976 15.5 CENTS PER POUND

FROM OCT. 1, 1976 TO SEPT. 30, 1977 16.25 CENTS PER POUND

FROM OCT. 1, 1977 TO SEPT. 30, 1978 16.75 CENTS PER POUND

FROM OCT. 1, 1978 TO SEPT. 30, 1979 17.5 CENTS PER POUND

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FROM OCT. 1, 1979 TO NOV. 30, 1980 18.0 CENTS PER POUND

IF PRICES ARE ABOVE THE FLOOR PRICE, THE
FOLLOWING SCALE OF PRICES SHALL APPLY:

FLOOR-PRICE - 22.50 70 PERCENT

22.50 - 29.00 60 PERCENT

29.00 - 35.00 50 PERCENT

35.00 - 42.50 35 PERCENT

42.50 - 50.00 30 PERCENT

50.00 - ABOVE 25 PERCENT

(EXAMPLE: IF THE AVERAGE MARKET PRICE WERE 36.0 CENTS PER
POUND, AND THE FLOOR PRICE WERE 15.5 CENTS PER
POUND, THE PRICE TO BE PAID BY COCA-COLA WOULD BE 27.65

CENTS PER POUND DETERMINED AS FOLLOWS:

FLOOR PRICE- 15.50 CENTS PER POUND

PLUS 70 PERCENT OF 22.50 MINUS 15.50 - 4.90 CENTS PER POUND

PLUS 60 PERCENT OF 29.00 MINUS 22.50 - 3.90 CENTS PER POUND

PLUS 50 PERCENT OF 35.00 MINUS 29.00 - 3.00 CENTS PER POUND

PLUS 35 PERCENT OF 36.00 MINUS 35.00 - 0.35 CENTS PER POUND

TOTAL 27.65 CENTS PER POUND

THE "MARKET PRICE" WILL BE THE MONTHLY AVERAGE DURING THE
MONTH PRECEDING THE MONTH OF SHIPMENT OF THE "WORLD" SPOT
PRICE AS QUOTED AT NEW YORK FOBS GREATER CARIBBEAN PORTS.
IN THE EVENT THAT THE SPOT PRICE OF RAW SUGAR IMPORTED FOR
ULTIMATE HUMAN CONSUMPTION WITHIN THE US IS, ON A CIF
DUTY PAID BASIS, HIGHER THAN THE "WORLD" SPOT PRICE, SAID ADJUSTED
US SPOT PRICE SHALL BE USED TO DETERMINE THE "MARKET PRICE".

C. CROP DISASTER OR OTHER FORCE MAJEURE WILL RELIEVE
THE NICARAGUAN PRODUCER OF ITS OBLIGATION, AND EXTREME
INFLATIONARY OR DEFLATIONARY TRENDS IN PRODUCTION
COSTS MAY ALLOW AN ALTERATION IN FLOOR PRICES BY "MUTUAL AGREE-
MENT".

D. TERMS OF THE CONTRACT THAT MIGHT BE IN CONFLICT WITH US
LAWS WILL BECOME VOID AND BE RENEGOTIATED BY THE CONTRACTING
PARTIES AS SOON AS PRACTICABLE.

3. THE TENTATIVE AGREEMENT HAS BEEN SIGNED BY OFFICIALS OF BOTH
COMPANIES, AND AN ACTUAL LEGAL CONTRACT IS TO BE DRAWN UP.
DISCUSSIONS TO FINALIZE THE CONTRACT ARE EXPECTED IN THE
VERY NEAR FUTURE.

SHELTON

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